

Economy standards fueling debate

Rising gas prices rekindle dispute over efficiency requirements

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By SUDEEP REDDY / The Dallas Morning News

WASHINGTON – Political worries over rising gas prices are pushing Congress toward what once seemed like untouchable ground: forcing automakers to raise fuel-economy standards across the board.

Mandating stricter government requirements on passenger cars had been considered unlikely, as politically unpalatable as drilling in the Alaskan wilderness or resurrecting a windfall-profits tax on oil companies.

But consumer uproar over energy prices and a backlash over short-term proposals such as the failed \$100 gasoline rebate have sparked one of the biggest debates on fuel-economy standards since the early 1970s.

The battle isn't breaking down only along party lines.

Some Republican lawmakers pushing the cause of energy independence are taking on GOP colleagues skittish about interfering with market forces.

After a decade of defeats on the issue, many Democrats say they want to slash fuel demand dramatically – just as the original standards put in place in 1975 helped reduce energy consumption.

They're facing opposition from fellow Democrats from auto-producing states who fear the loss of more jobs if additional government mandates are imposed on the struggling industry.

The debate is also resurrecting a long-running dispute over whether federal vehicle-efficiency requirements cause automakers to release cars that aren't as safe as they could be.

A widespread increase in fuel-economy standards still faces considerable opposition. Congressional Republicans and the Bush administration are moving toward modest changes in the rules for passenger cars, while underscoring their concern over proposals for across-the-board increases in cars, trucks and SUVs.

The Senate Commerce Committee will hold hearings today on the administration's request.

The House Energy and Commerce Committee, which held hearings last week, plans to move legislation on Wednesday giving the Transportation Department authority over revamping standards.

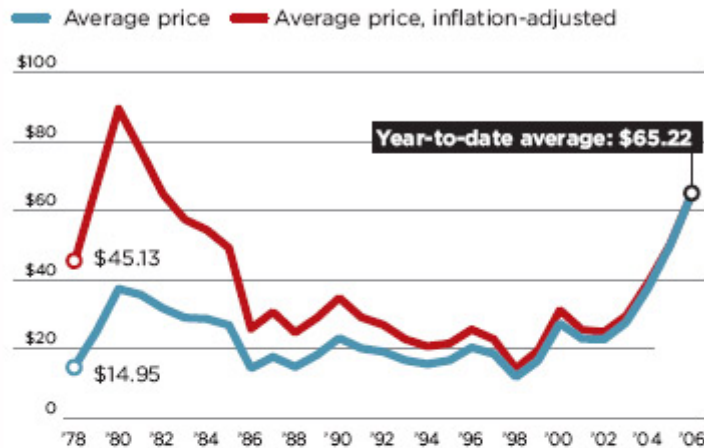
Last week, meanwhile, 10 states sued the federal government saying the new standards for light trucks and SUVs are too weak.

Congressional proponents of more stringent standards have introduced legislation to help automakers such as Ford Motor Co. and General Motors Corp. cope with health care costs, offer loan guarantees and encourage development of alternative vehicle technologies.

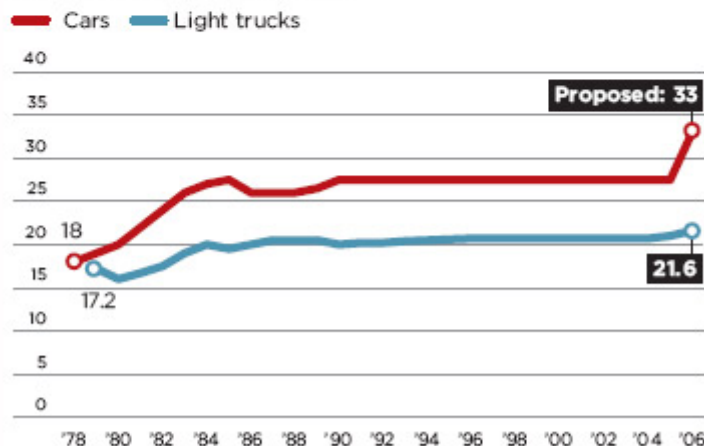
OIL PRICES AND FUEL-ECONOMY REQUIREMENTS

The 1973-74 Arab oil embargo led to federal fuel-economy requirements, though standards have changed little in the last two decades. Now, with oil prices climbing again, some lawmakers want to raise the efficiency standards.

CRUDE OIL PRICES, AVERAGE (in dollars per barrel)



CORPORATE AVERAGE FUEL ECONOMY STANDARDS (in miles per gallon)



NOTE: Figures for light trucks were unavailable for 1978; light truck figures for 1979-81 were for two-wheel drive only and for the rest of the years were combined two-wheel drive and four-wheel drive.

SOURCES: Bloomberg; National Highway Traffic Safety Administration; InflationData.com

TOM SETZER/Staff Artist

Standards' origins

The Corporate Average Fuel Economy standards trace their roots to the period after the 1973-74 Arab oil embargo. Lawmakers debated either raising gasoline taxes to discourage consumption or mandating higher vehicle efficiency to lower gasoline demand.

They chose the latter. The original standards called for doubling the efficiency of an automaker's fleet to 27.5 miles per gallon over the course of a decade. The requirement for cars hasn't been changed since 1985.

Today, congressional opponents of the system want to let the market determine which cars hit the road.

Others, such as Democratic Rep. John Dingell of Michigan, say they're concerned about doing anything that could hurt struggling U.S. automakers and cost tens of thousands of American jobs.

At a hearing last week, Rep. Joe Barton, the Ennis Republican who is chairman of the House committee handling the legislation, invoked the GM assembly plant in Arlington, and its 2,000 direct employees, in voicing his concerns about fuel-economy mandates.

"The last thing we want to do is take another hit on a U.S. manufacturing capability," said Mr. Barton, who represents parts of Arlington.

"We want to increase CAFE if at all possible, and if we can do it in a way that saves gasoline, I'm all for that," he said. "We don't want, in doing that, to drive the ... automobile industry out of business."

Modest changes

The Bush administration has voiced its interest in raising the federal standards, albeit with modest changes, and wants authority from Congress to revamp the system for passenger cars.

Over the last year, after a long rule-making process, the administration restructured the system for trucks and SUVs to require increases based on vehicle size.

Transportation Secretary Norman Mineta told lawmakers that the administration would need to study the car standards for at least a year, and any changes wouldn't take effect until the end of the decade.

Proponents of more widespread changes say the administration's request for additional regulatory authority will do little.

"We will get a long rule-making process that produces tepid results," said Rep. Sherwood Boehlert, R-N.Y.

Mr. Boehlert, who is retiring this year, has been pushing legislation with numerous Democrats to raise fuel-economy standards to 33 miles per gallon by 2015.

Safety questioned

Safety remains a key point of contention in the fuel-efficiency debate.

A 2002 study by the National Academy of Sciences concluded that the government's fuel-economy standards contributed to between 1,300 and 2,600 annual fatalities.

"The people who push for more stringent standards practically never acknowledge it's going to come at more cost in lives," said Sam Kazman, general counsel of the Competitive Enterprise Institute, a think tank advocating less regulation.

Other studies have disputed that point. And even the National Academy of Sciences report concluded that fuel economy could be increased with no impact on safety by using technology affecting a car's engine, aerodynamics and tires without changing the vehicle's size or weight.

"For the average consumer you've got perception that bigger must be better," said David Friedman, research director for the Clean Vehicles Program at the Union of Concerned Scientists, which backs higher fuel-economy requirements. "But the science is showing that's not the case."

More choices

Safety depends as much on how cars are designed as on their size, Mr. Friedman said.

Federal data, he said, show that a Volkswagen Jetta, for instance, has a lower fatality rate than a Chevy Tahoe SUV. And the Toyota Camry is safer than the Chevrolet Suburban, Ford Explorer and Jeep Grand Cherokee.

"A lot of technology just isn't being used across the fleet by automakers, despite the need," said Mr. Friedman.

With current technology, the fuel-economy of new cars could increase to at least 40 miles per gallon, he said.

Higher fuel-economy standards, proponents say, ensure that automakers won't revert to old ways if oil prices fall.

"Markets only work if there are options, and consumers don't have many options," Mr. Friedman said.

"The market isn't working. That's what we've seen over the last 20 years."

Built-in incentive

Critics of the proposals say that government intervention will only hurt consumers.

U.S. automakers will learn quickly to compete with foreign manufacturers introducing fuel-efficient vehicles, said Mr. Kazman of the Competitive Enterprise Institute.

The government doesn't need to offer incentives for consumers to buy hybrid cars and lawmakers shouldn't launch protectionist efforts to protect automakers, he said.

"With oil price trends, you've got all the incentives you need for new technology," Mr. Kazman said. "The notion that you need even more is really corporate welfare."